

Audit

CITY OF DUBOIS, PENNSYLVANIA

December 31, 2011

**CITY OF DUBOIS, PENNSYLVANIA**

DuBois, Pennsylvania

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

December 31, 2011

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# SHARKEY PICCIRILLO KEEN & HANZELY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

DuBois, Pennsylvania 15801

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of DuBois, Pennsylvania  
DuBois, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of DuBois, Pennsylvania, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of DuBois, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the City of DuBois, Pennsylvania, prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, the cash basis financial position of the aggregate discretely presented component units of the City of DuBois, Pennsylvania, as of December 31, 2011, or the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In addition, in our opinion, except for the effects of omitting blended component units, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the aggregate remaining fund information for the primary government of the City of DuBois, Pennsylvania, as of December 31, 2011, and the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 2.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and each major fund of the primary government of the City of DuBois, Pennsylvania, as of December 31, 2011, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 2.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension information and budgetary comparison information on pages 30 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DuBois, Pennsylvania's primary government financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the primary government financial statements as a whole.

*Sharkey Piccirillo Keen & Hanzely, LLP*  
SHARKEY PICCIRILLO KEEN & HANZELY, LLP  
November 8, 2012

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET ASSETS  
CASH BASIS

December 31, 2011

		<u>Primary Government</u>		
		<u>Governmental</u>	<u>Business-type</u>	
		<u>Activities</u>	<u>Activities</u>	<u>Total</u>
	<u>ASSETS</u>			
Cash		\$ 4,105,553	\$ 1,566,833	\$ 5,672,386
Investments		780,021	-	780,021
Internal balances		823,818	165	823,983
Total Assets		<u>\$ 5,709,392</u>	<u>\$ 1,566,998</u>	<u>\$ 7,276,390</u>
	<u>LIABILITIES AND NET ASSETS</u>			
Liabilities:				
Payroll taxes payable		\$ 17,402	\$ -	\$ 17,402
Internal balances		165	823,818	823,983
Total Liabilities		<u>17,567</u>	<u>823,818</u>	<u>841,385</u>
Net Assets:				
Restricted for:				
General government		1,469,502	-	1,469,502
Public works		34,634	-	34,634
Culture and recreation		13,979	-	13,979
Unrestricted		4,173,710	743,180	4,916,890
Total Net Assets		<u>5,691,825</u>	<u>743,180</u>	<u>6,435,005</u>
Total Liabilities and Net Assets		<u>\$ 5,709,392</u>	<u>\$ 1,566,998</u>	<u>\$ 7,276,390</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF ACTIVITIES  
CASH BASIS

For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business- type Activities	
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,682,103	\$ 199,558	\$ 300,435	\$ -	\$ (1,182,110)	\$ -	\$ (1,182,110)
Public safety	2,205,561	573,882	-	-	(1,631,679)	-	(1,631,679)
Public works	2,261,631	70	194,116	250,000	(1,817,445)	-	(1,817,445)
Community and economic development	419,569	-	429,264	-	9,695	-	9,695
Culture and recreation	774,335	75,814	30,000	-	(668,521)	-	(668,521)
Principal on long-term debt	116,224	-	-	-	(116,224)	-	(116,224)
Interest on long-term debt	24,256	-	-	-	(24,256)	-	(24,256)
<b>Total governmental activities</b>	<b>7,483,679</b>	<b>849,324</b>	<b>953,815</b>	<b>250,000</b>	<b>(5,430,540)</b>	<b>-</b>	<b>(5,430,540)</b>
<b>Business-type activities:</b>							
Sewer	2,165,012	2,525,238	-	-	-	360,226	360,226
Water	3,357,769	2,852,332	-	-	-	(505,437)	(505,437)
<b>Total business-type activities</b>	<b>5,522,781</b>	<b>5,377,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(145,211)</b>	<b>(145,211)</b>
<b>Total Primary Government</b>	<b>\$ 13,006,460</b>	<b>\$ 6,226,894</b>	<b>\$ 953,815</b>	<b>\$ 250,000</b>	<b>(5,430,540)</b>	<b>(145,211)</b>	<b>(5,575,751)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Real estate					1,239,635	-	1,239,635
Residence					17,928	-	17,928
Per capita					17,940	-	17,940
Real estate transfer					54,511	-	54,511
Earned income					556,898	-	556,898
Local services tax					350,058	-	350,058
Intergovernmental revenues					17,339	-	17,339
Interest					193,746	-	193,746
Sales of capital assets					2,232	-	2,232
Miscellaneous					2,373,940	-	2,373,940
Transfers					180,034	(180,034)	-
<b>Total General Revenues and Transfers</b>					<b>5,004,261</b>	<b>(180,034)</b>	<b>4,824,227</b>
<b>Change in Net Assets</b>					<b>(426,279)</b>	<b>(325,245)</b>	<b>(751,524)</b>
<b>Net Assets - Beginning</b>					<b>6,118,104</b>	<b>1,068,425</b>	<b>7,186,529</b>
<b>Net Assets - Ending</b>					<b>\$ 5,691,825</b>	<b>\$ 743,180</b>	<b>\$ 6,435,005</b>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

BALANCE SHEET  
CASH BASIS

GOVERNMENTAL FUNDS

December 31, 2011

<u>ASSETS</u>	<u>General</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash investments	\$ 3,554,693	\$ 335,723	\$ 215,137	\$ 4,105,553
Investments	780,021	-	-	780,021
Interfund receivables	207,989	967,280	-	1,175,269
Total Assets	<u>\$ 4,542,703</u>	<u>\$ 1,303,003</u>	<u>\$ 215,137</u>	<u>\$ 6,060,843</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Payroll taxes payable	\$ 17,402	\$ -	\$ -	\$ 17,402
Interfund payables	338,212	-	13,404	351,616
Total Liabilities	<u>355,614</u>	<u>-</u>	<u>13,404</u>	<u>369,018</u>
Fund Balances:				
Restricted:				
General government	-	1,303,003	166,499	1,469,502
Public works	-	-	34,634	34,634
Culture and recreation	-	-	13,979	13,979
Unassigned	4,187,089	-	(13,379)	4,173,710
Total Fund Balances	<u>4,187,089</u>	<u>1,303,003</u>	<u>201,733</u>	<u>5,691,825</u>
Total Liabilities and Fund Balances	<u>\$ 4,542,703</u>	<u>\$ 1,303,003</u>	<u>\$ 215,137</u>	<u>\$ 6,060,843</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
CASH BASIS

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	<u>General</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 2,236,970	\$ -	\$ -	\$ 2,236,970
Intergovernmental	394,066	-	826,955	1,221,021
Charges for services	612,044	-	-	612,044
Licenses and permits	161,839	-	-	161,839
Fines and forfeitures	75,371	-	-	75,371
Interest and rentals	184,698	9,048	203	193,949
Miscellaneous	2,373,940	-	-	2,373,940
Total Revenues	<u>6,038,928</u>	<u>9,048</u>	<u>827,158</u>	<u>6,875,134</u>
Expenditures:				
Current:				
General government	1,129,140	-	57,180	1,186,320
Public safety	2,036,028	-	40,001	2,076,029
Public works	1,157,898	-	387,962	1,545,860
Community and economic development	-	-	381,997	381,997
Culture and recreation	697,295	-	16,021	713,316
Debt service:				
Principal	116,224	-	-	116,224
Interest	24,256	-	-	24,256
Capital outlay	945,710	-	-	945,710
Other	493,967	-	-	493,967
Total Expenditures	<u>6,600,518</u>	<u>-</u>	<u>883,161</u>	<u>7,483,679</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(561,590)</u>	<u>9,048</u>	<u>(56,003)</u>	<u>(608,545)</u>
Other Financing Sources (Uses):				
Capital assets sales	2,232	-	-	2,232
Transfers in	543,637	10,402	110,328	664,367
Transfers out	(120,730)	(202,418)	(161,185)	(484,333)
Total Other Financing Sources (Uses)	<u>425,139</u>	<u>(192,016)</u>	<u>(50,857)</u>	<u>182,266</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(136,451)</u>	<u>(182,968)</u>	<u>(106,860)</u>	<u>(426,279)</u>
Fund Balances-Beginning	<u>4,323,540</u>	<u>1,485,971</u>	<u>308,593</u>	<u>6,118,104</u>
Fund Balances-Ending	<u>\$ 4,187,089</u>	<u>\$ 1,303,003</u>	<u>\$ 201,733</u>	<u>\$ 5,691,825</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF NET ASSETS  
CASH BASIS

PROPRIETARY FUNDS

December 31, 2011

	<u>ASSETS</u>	<u>Business-Type Activities - Enterprise Funds</u>		
		<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Current assets:				
Cash		\$ 238,657	\$ 1,328,176	\$ 1,566,833
Interfund receivables		13,292	89	13,381
Total current assets		<u>251,949</u>	<u>1,328,265</u>	<u>1,580,214</u>
Total Assets		<u>\$ 251,949</u>	<u>\$ 1,328,265</u>	<u>\$ 1,580,214</u>
	<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:				
Interfund payables		\$ 342,247	\$ 494,787	\$ 837,034
Total current liabilities		<u>342,247</u>	<u>494,787</u>	<u>837,034</u>
Total Liabilities		<u>342,247</u>	<u>494,787</u>	<u>837,034</u>
Net assets:				
Unrestricted		(90,298)	833,478	743,180
Total net assets		<u>(90,298)</u>	<u>833,478</u>	<u>743,180</u>
Total Liabilities and Net Assets		<u>\$ 251,949</u>	<u>\$ 1,328,265</u>	<u>\$ 1,580,214</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
CASH BASIS

PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,524,950	\$ 2,852,332	\$ 5,377,282
Total Operating Revenues	<u>2,524,950</u>	<u>2,852,332</u>	<u>5,377,282</u>
Operating Expenses:			
Public works	1,365,226	1,310,315	2,675,541
Total Operating Expenses	<u>1,365,226</u>	<u>1,310,315</u>	<u>2,675,541</u>
Operating Income	<u>1,159,724</u>	<u>1,542,017</u>	<u>2,701,741</u>
Non-Operating Revenues (Expenses):			
Interest income	288	-	288
Clean Streams Law civil penalty	(10,000)	-	(10,000)
Proceeds from bonds issued	-	3,440,000	3,440,000
Bond issuance costs	-	(194,764)	(194,764)
Debt service principal	(472,795)	(3,696,889)	(4,169,684)
Debt service interest	(177,829)	(498,426)	(676,255)
Capital outlay	(139,162)	(1,097,375)	(1,236,537)
Total Non-Operating Revenues (Expenses)	<u>(799,498)</u>	<u>(2,047,454)</u>	<u>(2,846,952)</u>
Income Before Transfers	360,226	(505,437)	(145,211)
Transfers Out	<u>(180,034)</u>	<u>-</u>	<u>(180,034)</u>
Change in Net Assets	<u>180,192</u>	<u>(505,437)</u>	<u>(325,245)</u>
Total Net Assets - Beginning	<u>(270,490)</u>	<u>1,338,915</u>	<u>1,068,425</u>
Total Net Assets - Ending	<u>\$ (90,298)</u>	<u>\$ 833,478</u>	<u>\$ 743,180</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF CASH FLOWS  
CASH BASIS

PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,524,950	\$ 2,852,332	\$ 5,377,282
Payments to vendors and suppliers	(1,365,226)	(1,310,315)	(2,675,541)
Net Cash Provided by Operating Activities	<u>1,159,724</u>	<u>1,542,017</u>	<u>2,701,741</u>
Cash Flows from Noncapital Financing Activities:			
Transfers out	(180,034)	-	(180,034)
Clean Streams Law civil penalty	(10,000)	-	(10,000)
(Increase) decrease in interfund receivables	1,752	603	2,355
Increase (decrease) in interfund payables	(177,273)	10,508	(166,765)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(365,555)</u>	<u>11,111</u>	<u>(354,444)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(139,162)	(1,097,375)	(1,236,537)
Proceeds from bonds issued	-	3,440,000	3,440,000
Bond issuance costs	-	(194,764)	(194,764)
Principal paid on debt	(472,795)	(3,696,889)	(4,169,684)
Interest paid	(177,829)	(498,426)	(676,255)
Net Cash Used by Capital and Related Financing Activities	<u>(789,786)</u>	<u>(2,047,454)</u>	<u>(2,837,240)</u>
Cash Flows from Investing Activities:			
Interest	<u>288</u>	<u>-</u>	<u>288</u>
Net Increase (Decrease) in Cash	4,671	(494,326)	(489,655)
Cash:			
Beginning	<u>233,986</u>	<u>1,822,502</u>	<u>2,056,488</u>
Ending	<u>\$ 238,657</u>	<u>\$ 1,328,176</u>	<u>\$ 1,566,833</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

December 31, 2011

	<u>ASSETS</u>	Non-Uniformed Employees Pension Plan	Police Retirement Plan	Agency Funds
Cash and cash equivalents		\$ -	\$ 240,987	\$ 62,826
Member contributions in transit		-	1,962	-
Accrued income		-	22,436	-
Investment assets, at fair value		8,274,050	4,907,752	-
Total Assets		<u>\$ 8,274,050</u>	<u>\$ 5,173,137</u>	<u>\$ 62,826</u>
	<u>LIABILITIES</u>			
Escrow liabilities		\$ 3,049,810	\$ 50,541	\$ 62,826
Total Liabilities		<u>3,049,810</u>	<u>50,541</u>	<u>\$ 62,826</u>
	<u>NET ASSETS</u>			
Held in trust for pension benefits		<u>\$ 5,224,240</u>	<u>\$ 5,122,596</u>	

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the Year Ended December 31, 2011

	<u>ADDITIONS</u>	Non-Uniformed Employees Pension Plan	Police Retirement Plan
Contributions:			
Plan members		\$ 60,705	\$ 25,156
Employer		60	26,248
State		124,771	174,349
Total contributions		<u>185,536</u>	<u>225,753</u>
Net Investment Income:			
Net appreciation (depreciation) in fair value of investments		(1,341)	(1,324)
Interest/dividends		288,477	145,549
Investment expenses		-	(36,797)
Net investment income		<u>287,136</u>	<u>107,428</u>
Total Additions		<u>472,672</u>	<u>333,181</u>
	<u>DEDUCTIONS</u>		
Benefits and refunds of member contributions		473,062	316,023
Administrative expenses		1,540	-
Allocated insurance premiums		669	-
Total Deductions		<u>475,271</u>	<u>316,023</u>
Change in Net Assets		(2,599)	17,158
Net Assets-Beginning		<u>5,226,839</u>	<u>5,105,438</u>
Net Assets-Ending		<u>\$ 5,224,240</u>	<u>\$ 5,122,596</u>

See accompanying notes to basic financial statements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 1 – Reporting Entity

The City of DuBois, Pennsylvania, a city of the third class, was created by charter granted by the Governor of the Commonwealth of Pennsylvania on December 28, 1914. The City is a municipal corporation governed by an elected mayor and a four member council.

The financial statements include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The primary government financial statements do not include financial data for the City's legally separate component units or joint ventures/jointly governed organizations.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared on the basis of cash receipts and disbursements, which differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Private sector standards of accounting and financial reporting issued prior to December 31, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private sector guidance.

The financial statements include government-wide financial statements prepared on the basis of cash receipts and disbursements and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The more significant accounting policies of the City are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

The City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Funds are organized into three categories: governmental, proprietary, and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. A fund is considered major if it is the primary operating fund of the City, or if the fund meets the following criteria: total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources. The following are the City's major governmental funds:

CITY OF DUBOIS, PENNSYLVANIA  
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

General Fund

The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Reserve Fund

The Capital Reserve Fund accounts for resources accumulated and reserved for capital projects and expenditures and to fund projects financed by intergovernmental grants and revenues.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose and the accumulation of resources for, and the payment of debt.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds

Enterprise funds are used to account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Sewage and Water Funds are the City's major enterprise funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements.

Pension Trust Fund

The Pension Trust Fund accounts for the assets of the City's Non-Uniformed Employees' Pension and Police Pension plans.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Fiduciary Funds (Continued)

Agency Funds

Agency Funds are custodial in nature with assets and liabilities being equal and do not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the cash receipts and disbursements basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the statement of activities present increases (revenues) and decreases (expenses) in net total assets. Under the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, revenues are recognized when received and expenses are recognized when paid.

Governmental and proprietary fund financial statements are reported using the current financial resources measurement focus and are accounted for using the cash receipts and disbursements basis of accounting. The current financial resources measurement focus means only current financial assets and liabilities are included on the balance sheet and inflows (revenues and other financing sources) and outflows (expenditures and other financing uses) of expendable financial resources are included on the statements of revenues, expenditures, and changes in fund balances.

As a result of the use of the cash receipts and disbursements basis of accounting, certain assets and their revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Notes Disclosures for Defined Contribution Plans*, requires that plan liabilities be recognized in the Pension Trust Fund for benefits and refunds to plan members and beneficiaries when due and payable in accordance with the terms of the plan.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers, as applicable. Loans are reported as interfund receivables and payables on the fund financial statements. Interfund receivables and payables are eliminated on the government-wide statement of net assets. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activity is treated as transfers.

E. Net Assets

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Fund Balances

Generally, governmental fund balances represent the difference between the assets and liabilities under the current financial resources measurement focus of accounting. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

Nonspendable

Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted

Fund balances are reported as restricted when there are limitations imposed on their use whether through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Fund Balances (Continued)

Committed

Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a formal resolution or ordinance. Only the City Council may modify or rescind the commitment.

Assigned

Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned

Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

G. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Cash Deposits and Investments

Commonwealth of Pennsylvania statutes provide for the investment of moneys of governmental and proprietary funds into certain authorized investment types, including United States Treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 3 – Cash Deposits and Investments (Continued)

In addition to the investments authorized for governmental and proprietary funds, investments of the City's Pension Plans may also be made in legal investments permitted under the Pennsylvania Fiduciaries in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

The deposit and investment policy of the City adheres to the Commonwealth statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth statutes or the policy of the City.

Cash Deposits

Cash deposits are categorized to give an indication of the level of custodial credit risk assumed by the City at December 31, 2011. Category 1 includes cash deposits which are insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes cash deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes cash deposits which are uninsured and uncollateralized, or were collateralized in accordance with Act 72, a Commonwealth statute which permits the financial institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

At December 31, 2011, the carrying amount of the City's cash deposits with financial institutions was \$5,734,989 and the financial institutions balances totaled \$7,050,395, which is categorized as follows:

Category 1	\$ 644,950
Category 3	<u>6,405,445</u>
Total Cash Deposits	<u>\$ 7,050,395</u>

Investments

The investments of the City are reported at cost. Fair value reporting for securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The investments of the Non-Uniformed Employees' Pension Plan and the Police Retirement Plan are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 3 – Cash Deposits and Investments (Continued)

Investments (Continued)

Custodial credit risk is the risk that the City will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The City does not have a written investment policy on custodial credit risk. The fair value of the City's securities held by a counterparty are as follows:

	<u>Government- wide</u>	<u>Pension and Retirement</u>	<u>Total</u>
Certificates of Deposit	\$ 780,021	\$ –	\$ 780,021
Municipal Debt	–	1,035,318	1,035,318
Corporate Debt	–	1,056,417	1,056,417
Mutual Funds – Debt	–	8,374,985	8,374,985
Equities	–	2,426,973	2,426,973
Exchange-traded Funds	–	288,109	288,109
<b>Total</b>	<b><u>\$ 780,021</u></b>	<b><u>\$ 13,181,802</u></b>	<b><u>\$ 13,961,823</u></b>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a written investment policy on interest rate risk. The City's investments subject to interest rate risk at December 31, 2011 included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturities (Years)</u>				
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>	<u>N/A</u>
Certificates of Deposit	\$ 780,021	\$ –	\$ 299,180	\$ 480,841	\$ –	\$ –
Municipal Debt	1,035,318	–	616,023	343,379	75,916	–
Corporate Debt	1,056,417	–	849,848	144,261	62,308	–
Mutual Funds – Debt	<u>8,374,985</u>	–	<u>8,274,050</u>	–	–	100,935
<b>Total by Maturity Dates</b>	<b><u>\$ 11,246,741</u></b>	<b><u>\$ –</u></b>	<b><u>\$ 10,039,101</u></b>	<b><u>\$ 968,481</u></b>	<b><u>\$ 138,224</u></b>	<b><u>\$ 100,935</u></b>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a written investment policy on credit risk. At December 31, 2011, the credit quality ratings of the Pension Trust Fund's debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Municipal Debt	\$ 211,478	AA
Municipal Debt	453,872	A
Municipal Debt	<u>369,968</u>	N/A
<b>Total Municipal Debt</b>	<b><u>1,035,318</u></b>	
Corporate Debt	62,308	AAA
Corporate Debt	80,679	AA
Corporate Debt	111,536	A
Corporate Debt	<u>801,894</u>	BBB
<b>Total Corporate Debt</b>	<b><u>1,056,417</u></b>	
Mutual Funds – Debt	<u>8,374,985</u>	N/A
<b>Total</b>	<b><u>\$ 11,246,741</u></b>	

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 3 – Cash Deposits and Investments (Continued)

Investments (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City does not have a written investment policy on concentration of credit risk. There were no investments other than certificates of deposit, US Government and US Government guaranteed obligations, mutual funds, or other pooled investments, in any one issuer that represented 5 percent or more of total investments at December 31, 2011.

Note 4 – Taxes

Real Estate Property Taxes

Real estate property taxes attach as an enforceable lien on property on January first. Taxes are billed on or about March 1, with a 2% discount through April 30; face amount due from May 1 through June 30; and 10% penalty added after July 1. The Clearfield County Assessment Office calculates the yearly tax levy and distributes the individual tax duplicates to the City's elected tax collector. The tax collector is responsible for tax collections.

The City is permitted by law to levy separate and different rates of taxation for general City purposes on all real estate classified as land, exclusive of the buildings thereon, and on all real estate classified as buildings on land. As a result, higher rates may be levied on land if the respective rates on lands and buildings are so fixed so as not to constitute a greater levy in the aggregate than a rate of 25 mills on both land and buildings. Additional levies for certain other purposes are permitted at specific maximum millages as provided for in the City Code.

Assessed value is 25% of market value. The City's net taxable assessed value for 2011 was \$57,623,374. The real estate tax millage rates for 2011 was:

<u>Taxable Assessed Value</u>	<u>Purposes</u>	<u>Millage</u>
Land	General	88.00
Buildings and improvements	General	2.00
Total real estate	Library and Recreation	3.50

Residence and Per Capita Taxes

Residence and per capita taxes are collected at various times during the year by the City tax collector. Each tax is in the amount of \$5.00 per taxpayer. Various income and age provisions determine individual tax liability.

Local Services Taxes

Emergency and Municipal Services taxes are also collected at various times by the City tax collector. The amount imposed on taxable residents is \$47.00.

Earned Income Taxes

The City also levies a one-half percent tax on the annual earned income of City residents. The tax is collected at various times throughout the year and remitted to the City by an appointed collection agency.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 5 – Interfund Balances

Interfund balances at December 31, 2011 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant	\$ 13,404
	Water	194,585
Capital Reserve	General Fund	338,047
	Sewer	342,158
	Water	287,075
Sewer	General Fund	165
	Water	13,127
Water	Sewer	89
Total		<u>\$ 1,188,650</u>

Interfund balances resulted from the timing differences between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 6 – Interfund Transfers

Interfund transfers for the year ended December 31, 2010 consisted of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Capital Reserve Fund	\$ 202,418
	Farmers National Fund	102,160
	Orange Alley Grant Fund	59,025
	Sewer Fund	180,034
Capital Reserve Fund	General Fund	10,402
Fire Training School Fund	General Fund	5,648
Health Insurance Fund	General Fund	98,000
Liquid Fuels Tax Fund	General Fund	6,680
Total		<u>\$ 664,367</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 7 –Debt

Short-Term Debt

The City's secured short-term interim financing in a prior year from S&T Bank for a Sewer Replacement Project to be permanently financed with a loan and grant from Pennsylvania Infrastructure Investment Authority. During 2011, there were no advances, payments, or outstanding balance on the short-term note, which matured November 3, 2011.

Long-Term Debt

The following presents the changes in long-term debt of the City during the year ended December 31, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Principal Due within One Year</u>
<u>Governmental Activities</u>					
Notes payable	\$ 1,093,759	\$ —	\$ (167,098)	\$ 926,661	\$ 97,917
<u>Business-Type Activities</u>					
Notes payable	8,338,527	—	(3,914,835)	4,423,692	247,484
Bonds payable	<u>7,500,000</u>	<u>3,440,000</u>	<u>(195,000)</u>	<u>10,745,000</u>	<u>250,000</u>
Business-type activities long-term debt	<u>15,838,527</u>	<u>3,440,000</u>	<u>(4,109,835)</u>	<u>15,168,692</u>	<u>497,484</u>
Total long term debt	<u>\$16,932,286</u>	<u>\$ 3,440,000</u>	<u>\$ (4,276,933)</u>	<u>\$16,095,353</u>	<u>\$ 595,401</u>

A summary of long-term debt outstanding at December 31, 2011, follows:

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
1,484,050	Guaranteed Revenue Note issued to the Pennsylvania Infrastructure Investment Authority (Pennvest) for a loan to partially finance a sewer system construction project, dated August 17, 2006 simultaneous with a grant from Pennvest of \$1,642,241 for the project. Interest is 1.252 percent during the initial sixty six months which consists of construction time and the first five years of amortization, 2.416 percent during the remaining one hundred eighty months. Interest only is payable until February 1, 2007, \$6,993 is due monthly beginning March 1, 2007 and ending February 1, 2012 and from March 1, 2012 through February 1, 2027 maturity \$7,603 is payable monthly.	\$ 1,147,792

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 7 –Debt (Continued)

Long-Term Debt (Continued)

<u>Amount of Original Issue</u>		<u>Balance Outstanding</u>
\$ 1,728,413	General Obligation Note issued to S&T Bank, dated September 28, 2007, for an unsecured loan to satisfy the remaining balance of the Washington County Authority Capital Funding Revenue Bonds relating to prior year water and wastewater projects. Repayable at \$11,389 monthly with interest of 4.91 percent through maturity date of September 28, 2027. The Sewer Fund is responsible for 65% of the debt with the Water fund being responsible for the remaining 35% of debt.	\$ 1,488,660
2,490,000	General Obligation Note issued to S&T Bank, dated September 22, 2008 for an unsecured loan for the Flexnet meter system installation project. Repayable at \$18,834 monthly with a current interest rate of 4.27% and a maturity date of September 22, 2023. The Sewer Fund is responsible for 43% of the debt, the Water Fund is responsible for 43% of the debt and the General Fund is responsible for 14% of the debt.	2,078,186
7,645,000	General Obligation Bond, Series of 2009, used for capital projects, including improvements to the reservoir and City's water system, dated February 19, 2009 are secured the full faith, credit and taxing power of the City. The bonds are scheduled to mature at various times through December 15, 2034 and bear interest rates varying from 2.000% to 5.375%.	7,355,000
814,000	Commonwealth of Pennsylvania, Department of Transportation, loan for infrastructure improvements, dated August 5, 2009, repayable in monthly installments of \$7,354 with 1.625 percent interest and a maturity date of September 9, 2019.	635,715
3,440,000	General Obligation Bond, Series of 2011, to satisfy remaining balance of General Obligation Note to S&T Bank and funding of capital projects, dated February 23, 2011 and secured by the full faith, credit, and taxing power of the City. The bonds are scheduled to mature at various times through December 15, 2033 and bear variable interest rates from 2.000% to 5.250%.	3,390,000
	Total Long-Term Debt Outstanding	<u>\$16,095,353</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 7 – Debt (Continued)

The aggregate annual debt service requirements applicable to the City's bonded debt and notes payable is summarized:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 595,401	\$ 695,196	\$ 1,290,597
2013	621,615	679,954	1,301,569
2014	634,334	661,354	1,295,688
2015	652,571	641,697	1,294,268
2016	671,348	620,404	1,291,752
2017-2021	3,534,333	2,726,709	6,261,042
2022-2026	3,595,330	1,984,401	5,579,731
2027-2031	3,460,421	1,164,120	4,624,541
2032-2034	<u>2,330,000</u>	<u>238,838</u>	<u>2,568,838</u>
	<u>\$16,095,353</u>	<u>\$ 9,412,673</u>	<u>\$25,508,026</u>

Note 8 – Non-Uniformed Employees' Pension Plan

Plan Description

The Non-Uniformed Employees' Pension Plan is a single-employer defined benefit pension plan. Through November 30, 2011, the plan participated in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained by contacting the PMRS accounting office. Effective December 1, 2011, the plan delegated TCG Investment Advisory, Inc. the authority to manage certain plan assets. TCG Investment Advisory, Inc. issues separate financial statements of the Non-Uniformed Employees' Pension Plan. The Non-Uniformed Employees' Pension Plan financial statements can be obtained by contacting TCG Investment Advisory, Inc. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Vesting occurs for permanent employees after twelve years of credited service.

Membership

Membership of the plan consisted of the following at December 31, 2011:

Retired Members and Beneficiaries	31
Terminated plan members entitled to but not yet receiving benefits	3
Active Members	<u>42</u>
Total Membership	<u>76</u>

Funding Policy

Members are required to contribute 3.5% of their gross compensation, with the City providing annual contributions sufficient to satisfy the actuarially determined contribution requirements.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 8 – Non-Uniformed Employees' Pension Plan (Continued)

Actuarial Valuation Information

Actuarial valuations are performed biannually. The following methods and assumptions as of the latest actuarial valuation date were used to determine the Annual Required Contribution for 2011:

Valuation Date	January 1, 2009
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Amortization Method	Level Dollar Closed
Remaining Amortization Period	14.33 Years
Actuarial Assumptions:	
Investment Rate of Return	6.00%
Projected Salary Increases	5.20%

Schedule of Annual Required Contributions

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Actuarial Valuation Date for Contributions</u>	<u>Percentage Contributed</u>
2007	\$ 67,898	2005	100%
2008	74,669	2005	100%
2009	69,798	2007	100%
2010	58,803	2007	100%
2011	67,351	2009	100%

Note 9 – Police Pension Plan

Plan Description

The Police Pension Plan is a single-employer defined benefit pension plan established by the City to provide retirement, disability, and death benefits to plan members and their beneficiaries. All full-time members of the police force join the plan upon hire. The City has delegated to Mockenhaupt Benefits Group the authority to manage certain plan assets. Mockenhaupt Benefits Group issues separate financial statements of the Police Pension Plan. The Police Pension Plan financial statements can be obtained by contacting Mockenhaupt Benefits Group.

Membership

Membership of the plan consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

Retired Members and Beneficiaries	13
Active Members	<u>14</u>
Total Membership	<u>27</u>

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 9 – Police Pension Plan (Continued)

Funding Policy

Members are required to contribute 5% of their gross compensation to the plan. Additionally, the City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements.

Actuarial Valuation Information

Actuarial valuations are performed annually. The following methods and assumptions were used in the latest actuarial valuation performed for the Plan:

Valuation Date	January 1, 2011
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	4-year smoothing
Amortization Method	Level Dollar Closed
Remaining amortization period	12 years (aggregate)
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Projected Salary Increases (Includes inflation at 3%)	4.50%

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police Pension Plan for the year ended December 31, 2011 were as follows:

Annual required contribution	\$ 181,198
Interest on net pension obligation	(3,878)
Adjustment to annual required contribution	<u>7,566</u>
Annual pension cost	184,886
Contributions made	<u>200,597</u>
Change in net pension obligation	(15,711)
Net pension obligation beginning of year	<u>(57,453)</u>
Net pension obligation end of year	<u>\$ (73,164)</u>

Schedule of Annual Required Contributions

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 230,582	100.00%
2008	222,937	100.00%
2009	248,166	100.00%
2010	210,932	100.00%
2011	181,198	110.71%

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

Note 10 – Litigation

The City, in the normal course of its activities, is involved in various claims and litigation. The City currently has claims and lawsuits pending, which could ultimately result in liability for the City over the next few years. The amount of these claims cannot be reasonably estimated at this time and management estimates that any claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

Note 11 – Grants

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the City Council believes such disallowances, if any, will be immaterial.

Note 12 – Subsequent Events

Subsequent events were evaluated through November 8, 2012, which is the date the financial statements were available to be issued.

During January 2012, the City entered into a Consent Order and Agreement (COA) with the Pennsylvania Department of Environmental Protection (DEP). The COA relates to the discharge of toxic effluents from the City's Sewage Treatment Plant in violation of Pennsylvania's Clean Streams Law and contains the findings and corrective actions. The COA imposed a \$10,000 civil penalty, which the City paid December 30, 2011, issued corrective actions, and stipulates additional civil penalties until compliance is achieved. Corrective actions were implemented in early 2012, which require various testing, screening and reporting, and will continue until DEP determines the City is in compliance. The costs of the corrective actions and stipulated penalties average approximately \$12,000 per month in 2012 and the City estimates these will continue through 2013.

CITY OF DUBOIS, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

NON-UNIFORMED EMPLOYEES' PENSION PLAN

For the Year Ended December 31, 2011

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL) —Entry Age</u>	(c) <u>Unfunded AAL (UAAL) (b) - (a)</u>	(d) <u>Funded Ratio (a)+(b)</u>	(e) <u>Annual Covered Payroll</u>	(f) <u>UAAL as a Percentage of Covered Payroll (c)+(e)</u>
1/1/03	\$ 6,807,166	\$ 6,345,728	\$ (461,438)	107.27%	\$ 1,530,185	-30.16%
1/1/05	7,369,919	7,003,697	(366,222)	105.23%	1,496,808	-24.47%
1/1/07	7,855,596	7,680,127	(175,469)	102.28%	1,616,592	-10.85%
1/1/09	8,561,358	8,233,630	(327,728)	103.98%	1,683,282	-19.47%
1/1/11	8,561,916	7,531,921	(1,029,995)	113.68%	1,579,676	-65.20%

The schedule of funding progress presents the change in the actuarial value of plan assets over time relative to the actuarial accrued liability for benefits.

CITY OF DUBOIS, PENNSYLVANIA

REQUIRED SUPPLEMENTARY INFORMATION

POLICE PENSION PLAN

For the Year Ended December 31, 2011

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL) —Entry Age</u>	(c) <u>Unfunded AAL (UAAL) (b) - (a)</u>	(d) <u>Funded Ratio (a)+(b)</u>	(e) <u>Annual Covered Payroll</u>	(f) <u>UAAL as a Percentage of Covered Payroll (c)+(e)</u>
1/1/03	\$ 3,742,399	\$ 3,841,530	\$ 99,131	97%	\$ 483,774	20%
1/1/05	4,280,073	4,574,354	294,281	94%	640,559	46%
1/1/07	5,037,128	5,396,440	359,312	93%	734,757	49%
1/1/09	5,652,615	6,067,630	415,015	93%	763,059	54%
1/1/11	5,496,241	6,060,700	564,459	91%	816,898	69%

The schedule of funding progress presents the change in the actuarial value of plan assets over time relative to the actuarial accrued liability for benefits.

CITY OF DUBOIS, PENNSYLVANIA

BUDGETARY COMPARISON SCHEDULE  
CASH BASIS

GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,209,200	\$ 2,209,200	\$ 2,236,970	\$ 27,770
Intergovernmental	274,397	274,397	394,066	119,669
Charges for services	414,600	414,600	612,044	197,444
Licenses and permits	76,950	76,950	161,839	84,889
Fines and forfeitures	71,000	71,000	75,371	4,371
Interest and rentals	118,000	118,000	184,698	66,698
Miscellaneous	553,342	553,342	2,373,940	1,820,598
<b>Total Revenues</b>	<b>3,717,489</b>	<b>3,717,489</b>	<b>6,038,928</b>	<b>2,321,439</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	957,411	957,411	1,129,140	(171,729)
Public safety	1,786,587	1,786,587	2,036,028	(249,441)
Public works	743,908	743,908	1,157,898	(413,990)
Community and economic development	5,000	5,000	-	5,000
Culture and recreation	257,125	257,125	697,295	(440,170)
<b>Debt service:</b>				
Principal	103,292	103,292	116,224	(12,932)
Interest	25,467	25,467	24,256	1,211
Capital outlay	670,472	670,472	945,710	(275,238)
Other	403,906	403,906	493,967	(90,061)
<b>Total Expenditures</b>	<b>4,953,168</b>	<b>4,953,168</b>	<b>6,600,518</b>	<b>(1,647,350)</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(1,235,679)</b>	<b>(1,235,679)</b>	<b>(561,590)</b>	<b>674,089</b>
<b>Other Financing Sources (Uses):</b>				
Capital assets sales	-	-	2,232	2,232
Transfers in	1,739,495	1,739,495	543,637	(1,195,858)
Transfers out	(95,000)	(95,000)	(120,730)	(25,730)
<b>Total Other Financing Sources (Uses)</b>	<b>1,644,495</b>	<b>1,644,495</b>	<b>425,139</b>	<b>(1,219,356)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>408,816</b>	<b>408,816</b>	<b>(136,451)</b>	<b>(545,267)</b>
<b>Fund Balance-Beginning</b>	<b>4,323,540</b>	<b>4,323,540</b>	<b>4,323,540</b>	<b>-</b>
<b>Fund Balance-Ending</b>	<b>\$ 4,732,356</b>	<b>\$ 4,732,356</b>	<b>\$ 4,187,089</b>	<b>\$ (545,267)</b>

See accompanying notes to budgetary comparison schedules.

CITY OF DUBOIS, PENNSYLVANIA

NOTES TO BUDGETARY COMPARISON SCHEDULES

December 31, 2011

Note 1 – Budgetary Information

The City has adopted the following procedures in establishing the budgetary data reflected in the basic financial statements:

- (1) At the last stated meeting in November in each year, the City Manager shall present to Council for first reading a proposed budget ordinance for all funds showing the estimated receipts, expenditures, and liabilities for the ensuing year with the balance of unexpended appropriations and all other information of value as a basis for fixing the levy and tax rate for the next fiscal year. Council shall, upon passing the proposed budget ordinance on first reading, fix a date for adoption thereof, which shall be not later than December 31 of such year.
- (2) The City Clerk shall make the proposed budget ordinance available for public inspection and publish a notice to that effect once in at least one newspaper. Such notice shall state the date fixed by Council for adoption of the proposed budget ordinance and such notice shall be published at least twenty days prior to the time fixed by Council for adoption of the proposed budget ordinance. The proposed budget ordinance shall be available for public inspection at the City Clerk's office for at least ten days after the newspaper notice is published.
- (3) Council shall, after making such changes and modifications therein as appear proper, adopt the budget and any appropriation measures required to put it into effect upon the date fixed for adoption thereof. If, upon any revision of the budget, estimated expenditures are increased more than ten percent in the aggregate or more than twenty five percent in any individual item over the proposed budget, such budget shall not be adopted with any such increases therein unless the same be again made available for public inspection and for protest of such increases for a period of at least ten days after notice to that effect is published.
- (4) During the month of January following any municipal election, Council may amend the budget and the levy and tax rate to conform to the amended budget ordinance. The procedures for adopting an amended budget shall be in accordance with the above, except that the amended budget ordinance must be adopted on or before February 15.

Note 2 – Other Information

GASB Statement No. 34 requires a budgetary comparison schedule to be presented for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The City did not adopt budgets for the Capital Reserve Fund, a major special revenue fund, and, therefore, presentation of budgetary comparison information is not required.

CITY OF DUBOIS, PENNSYLVANIA

COMBINING BALANCE SHEET  
CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2011

	<u>Special Revenue Funds</u>					
	<u>Brewery Grant</u>	<u>Community Development Block Grant</u>	<u>Elm Street Grant</u>	<u>Farmers National</u>	<u>Fire Training School Fund</u>	<u>Health Insurance</u>
<u>ASSETS</u>						
Cash and cash investments	\$ -	\$ 25	\$ -	\$ -	\$ -	\$ 166,499
Interfund receivables	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 25</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 166,499</b>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Payroll taxes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payables	-	13,404	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>13,404</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances:						
Restricted:						
General government	-	-	-	-	-	166,499
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Unassigned	-	(13,379)	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>(13,379)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,499</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 25</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 166,499</b>

Special Revenue Funds

<u>Liquid Fuels Tax</u>	<u>Orange Alley Grant</u>	<u>Sandy Lick Creek Phase II</u>	<u>Total Other Governmental Funds</u>
\$ 34,634	\$ -	\$ 13,979	\$ 215,137
-	-	-	-
<u>\$ 34,634</u>	<u>\$ -</u>	<u>\$ 13,979</u>	<u>\$ 215,137</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	13,404
-	-	-	13,404
-	-	-	166,499
34,634	-	-	34,634
-	-	13,979	13,979
-	-	-	(13,379)
<u>34,634</u>	<u>-</u>	<u>13,979</u>	<u>201,733</u>
<u>\$ 34,634</u>	<u>\$ -</u>	<u>\$ 13,979</u>	<u>\$ 215,137</u>

CITY OF DUBOIS, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	Special Revenue Funds					Health Insurance
	Brewery Grant	Community Development Block Grant	Elm Street Grant	Farmers National	Fire Training School	
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	359,652	-	-	-	-
Charges for services	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and rentals	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>359,652</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	-	-	-	-	-	57,180
Public safety	-	-	-	-	40,001	-
Public works	-	-	-	-	-	-
Community and economic development	1,600	371,897	8,500	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Debt service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,600</b>	<b>371,897</b>	<b>8,500</b>	<b>-</b>	<b>40,001</b>	<b>57,180</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,600)</b>	<b>(12,245)</b>	<b>(8,500)</b>	<b>-</b>	<b>(40,001)</b>	<b>(57,180)</b>
<b>Other Financing Sources (Uses):</b>						
Capital assets sales	-	-	-	-	-	-
Transfers in	-	-	-	-	5,648	98,000
Transfers out	-	-	-	(102,160)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(102,160)</b>	<b>5,648</b>	<b>98,000</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(1,600)</b>	<b>(12,245)</b>	<b>(8,500)</b>	<b>(102,160)</b>	<b>(34,353)</b>	<b>40,820</b>
<b>Fund Balances-Beginning</b>	<b>1,600</b>	<b>(1,134)</b>	<b>8,500</b>	<b>102,160</b>	<b>34,353</b>	<b>125,679</b>
<b>Fund Balances-Ending</b>	<b>\$ -</b>	<b>\$ (13,379)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 166,499</b>

**Special Revenue Funds**

Liquid Fuels Tax	Orange Alley Grant	Sandy Lick Creek Phase II	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -
187,303	250,000	30,000	826,955
-	-	-	-
-	-	-	-
133	70	-	203
-	-	-	-
<u>187,436</u>	<u>250,070</u>	<u>30,000</u>	<u>827,158</u>
-	-	-	57,180
-	-	-	40,001
196,834	191,128	-	387,962
-	-	-	381,997
-	-	16,021	16,021
-	-	-	-
-	-	-	-
-	-	-	-
<u>196,834</u>	<u>191,128</u>	<u>16,021</u>	<u>883,161</u>
<u>(9,398)</u>	<u>58,942</u>	<u>13,979</u>	<u>(56,003)</u>
-	-	-	-
6,680	-	-	110,328
-	(59,025)	-	(161,185)
<u>6,680</u>	<u>(59,025)</u>	<u>-</u>	<u>(50,857)</u>
<u>(2,718)</u>	<u>(83)</u>	<u>13,979</u>	<u>(106,860)</u>
<u>37,352</u>	<u>83</u>	<u>-</u>	<u>308,593</u>
<u>\$ 34,634</u>	<u>\$ -</u>	<u>\$ 13,979</u>	<u>\$ 201,733</u>